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Trustee: Rewald can't hide behind CIA

By Walter Wright
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Ronald Rewald is trying to hide his company's bankruptcy and his own "highly questionable conduct" behind the "protective shroud of 'national security,'" the interim bankruptcy trustee said yesterday.

But, said trustee Thomas Hayes, "the dodge won't work."

The issue is whether Rewald's connection to the CIA is enough to affect bankruptcy proceedings against his embattled company. It comes to a head at 1:30 p.m. today before U.S. District Judge Martin Pence.

Hayes has said Rewald's company apparently provided cover, such as a mailing address and telephone, for five CIA "entities."

Pence has already held, after reviewing six envelopes of classifiable documents, that Rewald had an inflated view of the importance of his "contacts with members and former members of the CIA."

But Pence nevertheless ordered that the six envelopes remain sealed.

Now Rewald's attorney, Robert A. Smith, says he has given Judge Pence "a great deal of information he did not have before" in the classified area.

It includes a confidential affidavit from Rewald, 95 confidential exhibits, and a confidential memorandum of law on the subject.

Only the judge and the government know if any of the documents provide new information. And the public may never know the extent of Rewald's ties to the intelligence community.

The CIA has spent hundreds of man-hours poring over company files to find and protect classifiable information. One theory is that whatever Rewald's connection may have been, the release of even a small piece of information might jeopardize some CIA agent or operation which at one time was associated with some part of Rewald's business.

A former head of the CIA's Hawaii office, John Kindschi, was among Rewald's "consultants" and is among the

investors now believed to have pumped \$12 million into the company.

Rewald hopes his arguments about classified information will prevent the court from ruling today that the firm of Bishop, Baldwin, Rewald, Dillingham and Wong is bankrupt. He also hopes to get the court to release some frozen assets so he can pay for his defense against theft charges and in civil cases.

Don Gelber, attorney for bankruptcy trustee Hayes, said in a filing with the court yesterday that the sole question before the court is whether Rewald's company was paying its debts when due.

After Rewald's suicide attempt July 29 and the closing of company doors Aug. 1, no such debts were paid, Gelber said.

Gelber said there is no defense based on patriotic service, and that if there were Rewald would not be entitled to it.

"Those with an honest regard for the safety and security of their country do not flaunt their patriotism, exploit their

marginal connections with government agencies and employees to gain the confidence of the public, enrich themselves by defrauding investors, and then — when confronted — seek to absolve themselves of their criminal offenses, civil wrongs and ethical shortcomings by trying to conceal their deplorable conduct behind the protective shroud of 'national security,'" Gelber said.

Attorney Smith said Rewald was entitled to use some of his own assets, now frozen by the court, for his defense. To insist that the assets aren't Rewald's because he allegedly stole them effectively convicts Rewald before trial, Smith said.

But Gelber said the company, "with depositors' money, has already provided Mr. Rewald with a mansion, a fleet of fancy automobiles, a string of polo ponies and show horses, two ranches, a tutor for his children, a chauffeur and other extravagances."

The depositors cannot now also be asked to pay for his defense, Gelber said.